

[accelerate]

 **TELE**
Masters

Annual Report
2008

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VISION AND VALUES

Our **VISION** is to become the undisputed and premier investment entity in the telecommunications sector, delivering sustainable, frequent and above-average returns to shareholders and business partners

Our **MISSION** is to meet our esteemed customers' telecommunication strategy and connectivity needs with innovative, business relevant and customer urgent solutions. We will do so in a sustainable way as an ever-evolving, 21st Century company.

Corporate Values:

CANI -

Constant and Never ending Improvement - Continuous improvement to our Intellectual Property (of internal and external partners) enabling TeleMasters to stay 2 steps ahead of our competition in innovation and execution.

NO MISTAKES -

We treasure the experience of learning from our mistakes but abhor mistakes that go unattended and unresolved.

EXCELLENCE ONLY IN RESULTS -

Effort alone doesn't guarantee results/performance - excuses are never accepted and commitment to achieve and excel, is tantamount.

HIGH VALUES AND HIGH PERFORMANCE -

High focus and high energy leads to impressive execution of the TeleMasters way.

DO IT TODAY -

Execute all tasks daily and escalate those that require more urgent attention. We do not allow the Important to become the Urgent.

LONG TERM RELATIONSHIPS -

Provides sustainability and durability to our business. We value customers-for-life, and believe that people buy from people. Our integrity and transparency is critical to all our internal and external dealings

MEASURE AND REPORT Daily -

Within the pre-defined competencies and executing primary measurable objectives above all.

RESPONSIBILITY AND ACCOUNTABILITY -

Inherent dislike of surprises -even good ones. All actions are mature and delegation, not abdication is the watchword in our very flat corporate structure.

UNCONCIOUSLY COMPETENT

in execution of tasks - These are well defined, optimally structured with the view of doing business, not just doing work.

CASH IS KING -

Good business practices and a tight grip on risk aversion means that we are able to reward all contributors and shareholders appropriately.

Executive Chairman's Report

The year 2008 will possibly go down in history as the highest peak leading to the steepest decline in business history. Equities and commodities reached all-time records. Financial institutions invented instruments of greed, fuelled by low interest rates and euphoria. The year ended in tears and the end is not in sight yet.

Against this background, TeleMasters performed well, thanks to the dedication and perseverance of our team members. We set an internal goal of 12% earnings per share growth for the year. The Sales Managers found over 60 new channel partners to help us grow the volume and the Finance, Customer Relations and Technical department followed up with careful and efficient support to eventually exceed this goal.

We broke new ground in becoming the first Company on the JSE to report and pay dividends every quarter. We made four small client base acquisitions during the financial year and another subsequent to year end – all for cash and all are good investments in our future earnings.

TeleMasters is anchored in doing sustainable business with well-satisfied clients. In anticipation of the downturn, the entire sales structure was turned on its head after half-year: the Sales Managers were more than doubled, accepted a salary-based structure and we started seeing clients face to face to strengthen the relationship. The year ended with TeleMasters in a defensive position – and making sure we will not lose clients in the coming years.

TeleMasters does business with some simple, but effective pointers. We sell the way we would want to buy. We continually differentiate our offering with items and actions of value that clients accept as worthwhile. We eliminate the risk of using our services. Finally, we 'simplify' our offering and operations. This means that an easy sales process leads to approximately R30 000 per month profit after tax earnings per employee.

In analysing the 'granularity' of the profits, i.e. which actions caused what profits, TeleMasters' intellectual property added more than 50% to the bottom line. This means that the implemented ideas from staff improved the business model so that the bottom line will be more than double that of a competitor doing business the usual way. This is reflected in the high return on sales achieved – outstanding in the industry and demonstrably double that of the industry.

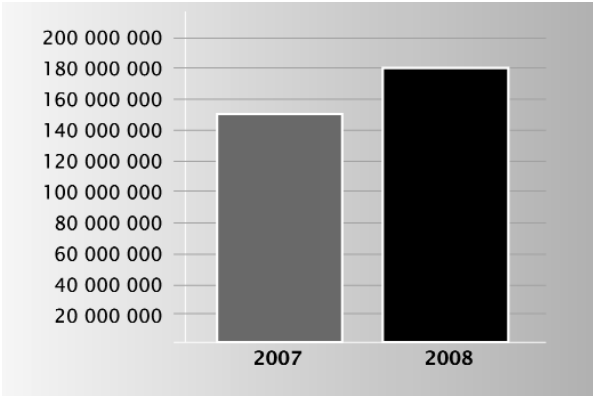
In 2009 and onwards, TeleMasters will continue to gain from its position of annuity based and cyclical-proof income, fuelled by constant innovation and very, very close ties with our clients. Our sales model of strong support for our highly valued channel partners is the mainstay of new business and we value these relationships highly. We appointed three Business Development Managers tasked to support the businesses of our partners in the downturn; their survival and prosperity is critical to future growth.

To every Sales Agent, Channel Partner, supplier, staff member and Director - thank you for your contribution to the success of the Company. It is alive and well and prospering, coursed through with the lifeblood of your dedication to its future.

MB Pretorius

Financial Overview by Chief Financial Officer

- ▶ Revenue increased markedly by 18.75%
- ▶ Operating profit before tax increased by 34.76%
- ▶ Earnings per share increased by 23.75%
- ▶ Dividends per share of 24 cents

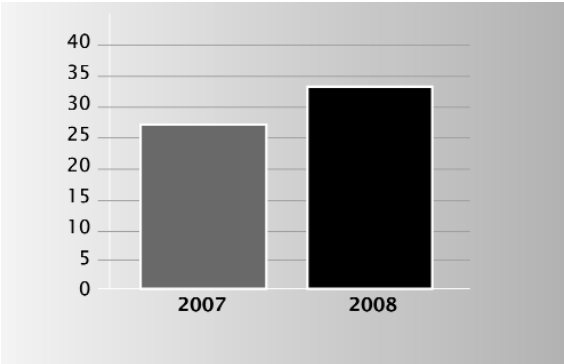


Revenue (R)

The past financial year was a year of growth for the Company with an 18.75% increase in revenue from R150 708 587 in 2007 to R178 978 732 in 2008. This growth was primarily as a result of sustainable organic growth.

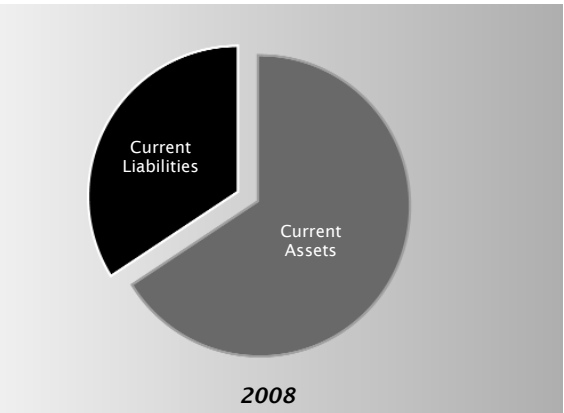
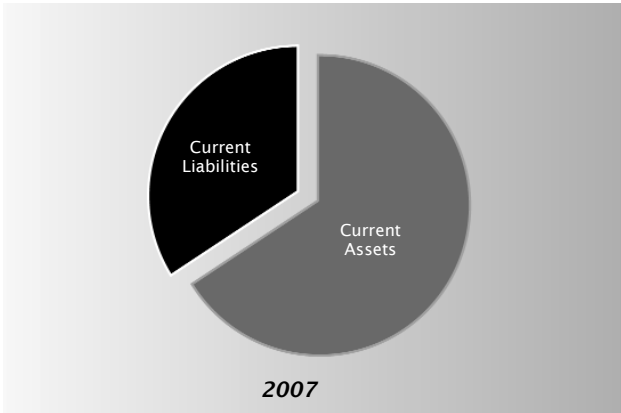
The net profit of the Company increased by 23.75% and amounted to R14 008 011 (2007 - R11 013 525), after taxation of R6 819 485 (2007 - R4 441 416). This reflects earnings per share of 33.35 cents (2007 - 26.95 cents). The increase in earnings per share reflects the Company's ability to grow the business without diluting the shareholder value.

The strategy of maintaining margins and focussing on increased system and operational efficiency resulted in a 34.76% operating profit before tax increase despite more staff being employed to gear up for future expansion and improved levels of service to customers. We managed to control rising operating costs due to the increase in the size of our operations with costs rising from 7.5% of Revenue in 2007 to 8.48% in 2008. The increased costs were offset by tighter management of our margins which provided a Gross Profit increase from 17.5% in 2007 to 19.6% in 2008.



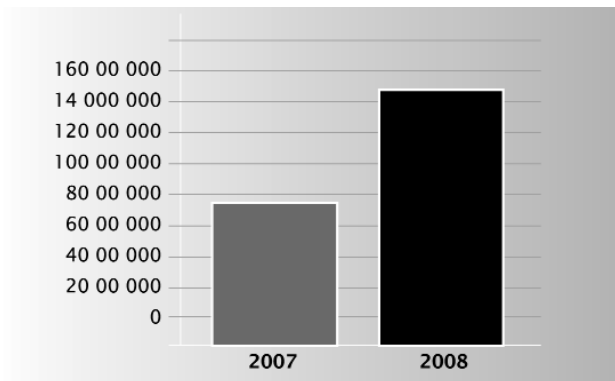
Earnings per share (Cents)

TeleMasters focuses on ensuring sound cash management and in all business decisions careful consideration is given to the cash flow impacts of the decision. This strong cash discipline is evidenced in our sound working capital position. The following chart shows the soundness of our working capital position despite the large amount of dividends paid in the current year.



Financial Overview by Chief Financial Officer

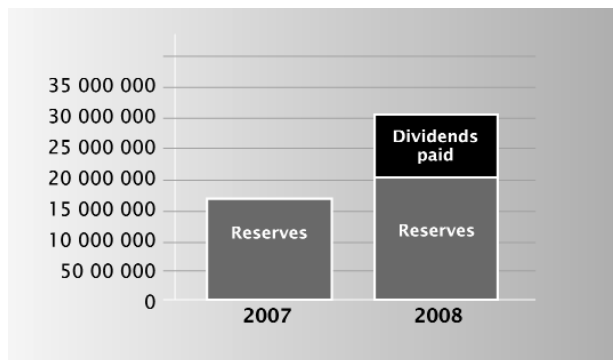
We have invested in property, plant, equipment and intangible assets over the past financial year with our total Non-current assets (excluding deferred tax) growing by 92% from a depreciated value of R7 515 563 in 2007 to R14 410 676 in 2008. This shows that a company can invest in the future whilst still ensuring a healthy dividend flow to its shareholders.



Total PPE & Intangibles (R)

TeleMasters became the first Company on the JSE to start paying quarterly dividends to coincide with our established quarterly reporting. The directors declared dividends based on a 40% dividend policy which ranks TeleMasters as one of the highest dividend yields on the JSE. This has resulted in a large amount of Secondary Tax on Companies being included in the total tax bill which is 53.54% higher than last year. The increase in tax also resulted from the operating profit before tax increasing by 34.76%.

The following graph reflects the Company's total reserves at the end of the 2007 and 2008 years. To see how large the dividend payment amounted to in relation to the Company's Reserves, the 2008 year has the total dividends declared added to its reserves to show the comparative position if dividends had not been paid out.



Reserves including dividends paid (R)

The Company's net asset value per share has increased from 39.34 cents per share in 2007 to 48.69 cents per share after the 24 cents per share dividend which was paid. This increase amounted to 23.76%.

The net tangible asset per share changed from 38.60 cents per share in 2007 to 42.67 cents per share in 2008, an increase of 10.54%.

We are proud of TeleMasters' results for the 2008 year and believe that we have balanced growth and investment in the business with shareholders' expectations to provide a stable dividend return. We are confident that the sound position in which the Company found itself in at the end of the 2008 financial year, together with the efficient operations of the business, will ensure that TeleMasters continues to grow and adds further value to shareholders' funds in the coming years.

Corporate Governance Statement

INTRODUCTION

Telemasters' Board of Directors (hereafter the Board) hereby confirms its commitment to the principles of fairness, accountability, responsibility and transparency. Through this process, shareholders and other stakeholders may derive assurance that the Company is being managed ethically according to prudently determined risk parameters and in compliance with generally accepted corporate practices. The Board has examined the principles and requirements of the King II Report and the JSE Listings Requirements with regard to corporate governance. Due consideration has been given as to how best to implement the recommendations of said report within the Company and, as a minimum, the Board has complied with the following:

THE BOARD

Role, function and independence of the Board

TeleMasters has a unitary Board with a Chairman who is elected from the Board. The roles of Chairman and the Chief Executive Officer (CEO) have been combined due to the decision to keep the Board small with the majority of the Board members involved in the Company's operations on a daily basis. Despite the convergence of the two roles into one, a balance of power and authority exists which ensures that no one individual has unfettered powers of decision-making. This divergence from the King II Report's recommendation is in line with the rules of the JSE for Alt X listed companies, which due to their size have smaller boards, and where full compliance is impractical. The Board has discussed splitting the roles once again between Chairman and CEO and this may be effected during the forthcoming financial year when additional non-executive directors, with the requisite skills for which the Board has been searching, are to be appointed

The Board is responsible for the proper management and ultimate control of the Company. In order to meet its responsibility to members and other stakeholders, the Board is responsible for setting the Company's strategic objectives, determining investment and performance criteria, and taking ultimate responsibility for the proper management and ethical behaviour of the company's business.

The Board sits at least four times per annum, but meets more regularly due to the Company's decision to release quarterly results and pay quarterly dividends which necessitates more regular meetings than originally anticipated.

Directors all have unfettered access to the Company Secretary who, inter alia, is responsible for ensuring that proper procedures are followed regarding Board matters. Directors' information packs are prepared so as to inform the directors fully of the issues at hand. Directors are furthermore entitled to ask questions of any personnel and have unrestricted access to all company documentation, information and property.

The Board's main responsibilities include: strategy, acquisition and disinvestment policy, risk management, financing and corporate governance. In addition, the Board is accountable for relations with stakeholders and is responsible for creating, protecting and enhancing the Company's wealth and resources, timely and transparent reporting, and for acting at all times in the best interests of the Company and its shareholders. None of the directors' remuneration is tied to the Company's financial performance.

Composition of the Board

The Board consists of five directors, two of whom are non-executive directors. This is an increase of one non-executive director since the last financial year and an additional two non-executive directors are expected to be appointed during the next two months. The directors bring a wide range of experience, diversity, insight and independence of judgement on issues of strategy, performance, resources and standards of conduct to the Board.

Corporate Governance Statement

The current Board consists of:

▶ **Mario Brönn Pretorius** (51) – Executive Chairman

Mario matriculated at Afrikaans Hoër Seunskool, Pretoria, in 1974 and obtained a Bachelor of Commerce in 1979 from Potchefstroom University. He was later appointed Marketing Manager at Artos Engineering, Oslo, Norway. In 1981 Mario was appointed International Development Manager of Domino's Pizza International in Ann Arbor, Michigan, USA.

In 1984 Mario obtained his MBA from the University of Cape Town and in 1985 he joined Traditional Beer Investments, the development division of the SAB Group Limited, as Marketing Manager and also became a director of Avens Investments (Pty) Ltd. Mario was also appointed Managing Director of Aida National Franchises (Pty) Ltd and Director of Aida Holdings Limited which he helped list in 1987. In 1988 he joined Okifax, a division of MALBAK Limited as Managing Director and a Non-executive Director of Nimbus Holdings Limited. Mario has established various telecommunications support companies along with Zero Plus Developments (Pty) Ltd.

Mario is the founder and current CEO of TeleMasters. He has been a pioneer in the LCR industry and the driving force behind the expansion of TeleMasters.

▶ **Masetumo Elizabeth Moji** (43) – Non-executive Director

Masetumo (Tumi) obtained a BAdmin degree at the University of the North and later her BAdmin (Hons) in Industrial Psychology at UNISA. She is a registered psychometrist and also holds a certificate and diploma in marketing from UNISA.

From 1993 to 1994 Tumi worked at Eskom as recruiting and sourcing officer and later joined L & C Steinmuller Group. In 2001 she joined Marconi Communications SA (Pty) Ltd as Sales Director and she currently represents the Company on the Electronic and Telecoms Industries Association and Electronics Industries Federation.

Tumi is a veteran of the telecommunications industry. Tasked with international sales and sourcing, she has strengthened Marconi's position as a prime supplier of equipment to the largest tele-communications companies in South Africa. Tumi brings a wealth of industry-related experience and a host of sector-wide contacts to the Board.

▶ **Igenatius Godtlieb Bekker** (48) – Technical Director

Igenatius (Natie) matriculated at Paarl Boys High School in 1979 and joined Telkom SA as a tele-communications electrician. In 1992 he joined the CTO Telecommunications Department of the former Bophuthatswana Government and later Marconi RSA where he was responsible for international client training.

From 1997 to 2005 Natie consulted professionally in telecommunications matters in over 40 countries. Natie served as an International Training Manager at Telkom and served in 42 countries including South America, Eastern Europe and Africa. He successfully ran his LCR installation and maintenance business, having TeleMasters (Pty) Ltd as one of his many clients, before being persuaded to fold it into TeleMasters (Pty) Ltd in April 2005. Natie is the Technical Director and also manages the Logistics of TeleMasters. He has a Higher Teaching Diploma - Education - Telecommunications Engineering.

Corporate Governance Statement

▶ **Brandon Rodney Topham** (37) – Chief Financial Officer

Brandon trained and qualified as a chartered accountant and is an admitted attorney of the High Court. Apart from his professional memberships he is also a member of the Institute of Directors and the National Speakers Association of South Africa. He has served as a Non-executive Director of 1Time Airline (Pty) Ltd and as a director of various audit and law practices. He currently serves as the Chief Financial Officer of TeleMasters and also serves as a director of: Professional Provident Society Holdings Limited, Seesa Limited and other private companies. He has specialised as a forensic accountant and currently acts from time to time as an Inspector of Financial Institutions for the Financial Services Board. He sits as a trustee on various trusts and non-profit organisations. He is currently an elected Councillor in the City of Tshwane Metropolitan Municipality.

Brandon has obtained the following post-graduate qualifications: B Compt (Hons); B Proc; LLM, Post-Graduate Certificate in Advanced Taxation, Certified Fraud Examiner (USA), Passed CIMA finalist and an Associate Financial Planner.

▶ **Jaco Voigt** (34) – Independent Non-executive Director

Jaco matriculated at Outeniqua High School George in 1992 and obtained a Bachelor of Social Sciences degree in 1996 from the University of the Orange Free State. He started his career in the communications industry at DataPro in 1998 and held various management positions in that organization - culminating in being the founder and Managing Director of VoxTelecom. VoxTelecom was the pioneer of Voice over Internet Protocol (VoIP) service provision in South Africa.

Jaco left VoxTelecom in 2007 to start PerfectWorx Consulting, a specialist consulting outfit providing professional services to communication operators entering the Next Generation Network realm. PerfectWorx Consulting currently provides services to a wide range of players in the telecoms industry, ranging from incumbent operators to various Value Added Network Services (VANS) operators.

Changes to the Board

The only change to the Board over the past year was the appointment of Jaco Voigt as a Director. The following procedures are followed and will be followed in the future regarding any changes to the Board:

- ▶ any new appointment will be considered by the Board as a whole; and
- ▶ the Company Secretary will ensure that the new Director attends the Wits Business School's directors' induction programme and will provide any new Director with an induction session to ensure that the new Board member understands the Company, the business environment and his/her role and responsibilities as a Director of the Company.

Terms of reference of the Board

It is the Board's responsibility:

- ▶ to ensure that the Company prepares annual budgets and strategic business plans against which performance will be measured;
- ▶ to ensure that Board committees are nominated from its members and external persons where applicable; and
- ▶ to review the scope and adequacy of activities of the Board committees annually to evaluate the effective discharge of their responsibilities in terms of statutory and corporate governance requirements and for compliance with the requirements of the Company's policies.

Corporate Governance Statement

While retaining overall accountability and subject to matters reserved to itself, the Board has delegated authority to run the Company's day-to-day affairs to the CEO.

All directors' interests in terms of section 234 of the Companies Act, No. 61 of 1973, as amended (hereafter the Companies Act) have been disclosed and all directors are aware of their duty to make full disclosure of any interest involving the Company.

ATTENDANCE AT BOARD MEETINGS

During the preceding year all directors and the Designated Advisor attended all meetings. Where it was impossible for a person to be at the meeting in person, a telephonic conference call was implemented to ensure 100% participation.

ACCOUNTING AND AUDITING

The Board wishes to achieve the highest level of financial management, accounting and reporting to shareholders. The Board is committed to complying with International Financial Reporting Standards (IFRS), the Companies Act and the JSE Listings Requirements. It is the directors' responsibility to prepare financial statements that fairly present the following:

- ▶ the state of affairs as at year-end;
- ▶ profit or loss for the year;
- ▶ cash flow for the year; and
- ▶ non-financial information.

The external auditors observe the highest level of business and professional ethics and their independence is not impaired in any way. The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders and of the Board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The external auditors provide an independent assessment of systems of internal financial control to the extent necessary for the audit, and express an independent opinion on whether the financial statements are fairly presented. The external audit function offers an opinion that the annual financial statements present fairly, in all material respects, the Company's financial position as at 30 September 2008. The audit provides reasonable, but not absolute, assurance as to the accuracy of financial disclosures.

The Board set principles that were considered and accepted by the shareholders for using the external auditors for non-audit services.

AUDIT COMMITTEE

The Company has established an Audit Committee as part of the Board's commitment to ensure a sound system of internal control to safeguard stakeholders' interests and the Company's assets. The Audit Committee shall at all times consist of at least two people independent of the management of the Company.

- ▶ The current Audit Committee consists of ME Moji, a non-executive director, PI Buys, an independent Chartered Accountant in public practice, and EWA Bauser, an independent Chartered Accountant in commerce. The financial director, BR Topham, is invited to the Audit Committee meetings but has no vote.
- ▶ The external auditors have free access to the Audit Committee and will be invited to attend all of its meetings, which occur at least twice each year.

Corporate Governance Statement

- ▶ The primary objective of the Audit Committee is to promote the overall effectiveness of corporate governance within the Company. Additional objectives include:
 - ▶ ensuring the integrity of the Company's accounting and financial reporting systems;
 - ▶ ensuring that the appropriate systems are in place for monitoring risk, financial control and compliance with the law and codes of conduct;
 - ▶ evaluating the effectiveness of the Company's risk-and compliance-management functions;
 - ▶ maintaining appropriately transparent relationships with the external auditors, who will be appointed each year based on the recommendations of the Audit Committee;
 - ▶ evaluating and confirming the independence of the auditors and approving their remuneration;
 - ▶ advising on the appointment of the external auditors to handle non-audit functions;
 - ▶ reviewing the scope and quality of the statutory audit and the independence and objectivity of the audit; and
 - ▶ reporting on the going concern concept.

The Audit Committee has explicit authority to investigate any matter under its terms of reference and has access to all resources and information it requires in order to act on this authority.

The Audit Committee is also responsible for monitoring all contracts entered into by the Company in which any of the directors are either beneficially or indirectly beneficially interested so as to ensure that all such contracts are fair and reasonable and in the best interests of the Company.

Due to recent changes in legislation, the Audit Committee will in the new financial year need to consist of at least two independent non-executive directors. These persons are in the process of being identified for appointment to the Board.

DIRECTORS' REMUNERATION AND THE REMUNERATION COMMITTEE

The Company has not established a Remuneration Committee: in view of the small Board and low cost structure of the Company, the Board is of the opinion that it is unnecessary at this stage. It is the responsibility of the entire Board to review the performance of the individual Board members and to review any changes in remuneration paid to any director.

The remuneration paid to directors is determined on a cost-to-company basis and consists solely of a basic salary and certain fringe benefits for both executive and non-executive directors with the amounts being based on each director's level of day-to-day responsibility and activity.

The directors' salaries have been disclosed in detail in the Company's annual financial statements.

COMMUNICATION WITH STAKEHOLDERS

The Board has adopted a policy of effective communication and engagement with all stakeholders. The Company seeks to provide a secure, healthy and participative social and working environment for its staff and associates. The Board has also approved and published interim results each quarter to enable all shareholders to have accurate and timely information available to them.

The Board encourages its shareholders to attend the Company's general meetings where they will be provided with the opportunity to ask questions of the Board, the Audit Committee and the Company's auditors. Shareholders will be informed at the general meeting of the results of all voting which may take place there.

Corporate Governance Statement

INSIDER TRADING

The Company enforces a restricted period for dealing in shares, in terms of which the Board disallows all directors any dealings in shares from the time that the reporting period has elapsed to the time that results are released and at any time that the Company is trading under a cautionary announcement. A procedure for directors to deal in shares has been introduced and all affected persons have access to the Company Secretary and the Designated Advisor should they have any doubt as to whether or not they may trade.

All directors' dealings in the shares of the Company are disclosed in the Directors' Report.

COMPANY SECRETARY

The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Company Secretary is required to provide the members of the Board with guidance and advice regarding their responsibilities, duties and powers and to ensure that the Board is aware of all the legislation relevant to or affecting the affairs of the Company. The Company Secretary also has to ensure that the Company complies with all applicable legislation regarding its affairs, including the necessary recording of Board meetings, Board committees and shareholders of the Company.

CODE OF ETHICS

The Board subscribes to the highest level of professionalism and integrity in conducting its business and dealing with all its stakeholders.

In adhering to its Code of Ethics, the Board is guided by the following broad principles:

- ▶ businesses should operate and compete in accordance with the principles of free enterprise;
- ▶ free enterprise will be constrained by the observance of relevant legislation and generally accepted principles regarding ethical behaviour in business;
- ▶ ethical behaviour is predicated on the concept of utmost good faith and characterised by integrity, reliability and a commitment to avoid harm;
- ▶ business activities will benefit all participants through a fair exchange of value or satisfaction of need; and
- ▶ equivalent standards of ethical behaviour are expected from individuals and companies with whom business is conducted.

ANNUAL FINANCIAL STATEMENTS

The directors are required to maintain adequate accounting records and are responsible for the preparation of the annual financial statements and related financial information of the Company at the end of the financial year, in conformity with International Financial Reporting Standards, the Companies Act and in terms of the JSE Listings Requirements.

The external auditors are responsible for independently auditing and reporting on the annual financial statements in conformity with International Standards on Auditing and the Companies Act. Their unqualified report has been included to the annual financial statements prepared by the Board for approval by shareholders.

DESIGNATED ADVISOR

Arcay Moela Sponsors (Propriety) Limited acts as the Designated Advisor to the Company in compliance with the JSE Listings Requirements.

Corporate Governance Statement

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has ultimate responsibility for the total process of risk management and its effectiveness within the Company. The Board has established internal controls to manage significant Company risk. In view of the limited nature of the Company's business and the size of its operations, the Board considers it unnecessary to operate an internal audit function at this stage.

Daily and monthly management reports provide an effective tool for the assessment of the key risks and management of the operations. These form an important component for Board members to obtain assurance and manage risk.

The Board is satisfied that there is an ongoing process for identifying, evaluating and managing the significant risks of the Company.

CONCLUSION

The Board is of the opinion that the Company complies, in all material respects, with the recommendations and spirit of the King II Report with the exception of the establishment of a Remuneration Committee and splitting the roles of the Chairman and CEO which are acceptable in terms of the rules of the JSE for AltX listed companies. In addition the Company complies with all the additional requirements for corporate governance stipulated in the JSE Listings Requirements.

COMPANY SECRETARY'S CERTIFICATE

The Company Secretary certifies that the Company has lodged with the Registrar of Companies, all such returns as are required by a public Company, in terms of the Companies Act, and that all such returns are true, correct and up to date to the extent that the Company Secretary has been informed.

Brandon Topham Inc.
20 February 2009

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with IFRS and in the manner required by the Companies Act and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring that the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Company's cash flow forecast for the year to 30 September 2009 and, in the light of this review and the current financial position, they are satisfied that the Company has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the Board is primarily responsible for the Company's financial affairs, it is supported by the Company's external auditors.

The external auditors are responsible for independently reviewing and reporting on the Company's financial statements. The financial statements have been examined by the Company's external auditors and their report is presented on page 13.

The financial statements set out on pages 14 to 50, which have been prepared on the going concern basis, were approved by the Board on 19 February 2009 and were signed on its behalf by:

MB Pretorius

BR Topham

INDEPENDENT AUDITORS' REPORT

To The Members of TeleMasters Holdings Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the annual financial statements of TeleMasters Holdings Limited, which comprise the the balance sheet as at 30 September 2008, the income statement, the statement of changes in equity and cash flow statement for the year ended, a summary of significant accounting policies and other explanatory notes, and the directors report as set out on pages 14 to 50.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair representation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimate made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the Company as at 30 September 2008 and the results of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.



BDO Spencer Steward
Registered Auditors
Chartered Accountants (S.A)

BDO Place, 457 Rodericks Road
Lynnwood, Pretoria, 0081

Per: B Bosmon - Partner

20 February 2009

DIRECTORS' REPORT

The directors submit their report for the year ended 30 September 2008.

1. REVIEW OF ACTIVITIES

Main business and operations

TeleMasters is a specialist tele-management and business communication strategy player operating exclusively in the South African market. It focuses exclusively on the corporate market. The Company will not commit funds to building infrastructure in competition to its current and future suppliers but will take on a senior role in providing current and future client access to the most efficient and effective connectivity technologies.

Highlights

- ▶ Revenue increased markedly by 18.75%
- ▶ Operating profit before tax increased by 34.76%
- ▶ Earnings per share increased by 23.75%
- ▶ Dividends per share of 24 cents

This has been a very satisfactory year and our results reflect the success of our business strategy. The directors are pleased to report only good news and an appreciable increase in every facet of the business. The operating results and state of affairs of the Company are fully set out in the attached financial statements and do not, in our opinion, require any further comment other than to note the following:

The net profit of the Company is R14 008 011 (2007 - R11 013 525) after taxation of R6 819 485 (2007 - R4 441 416) and reflects earnings per share of 33.35 cents (2007 - 26.95 cents). This is 23.75% higher than the prior year's figure.

Revenue increased markedly by 18.75% through sustained and sustainable organic growth with only 0.16% additional revenue and 0.86% additional margin being contributed through the four smaller customer base acquisitions made during the year. The full effect of the acquisitions will only be felt during the coming year due to the effective implementation dates being late in this financial year. These acquisitions were all made from the free cash flow of the business.

The strategy of maintaining margins and focussing on increased system and operational efficiency resulted in a 34.76% operating profit before tax increase despite more staff being employed to gear up for future expansion and increased levels of service to customers.

Close attention and better business practices resulted in operating margins increasing.

Although the Company's gross margin is approximately 20% lower than its competitors, its operating margin is 50% higher, indicating double the level of staff and system efficiency.

The level of profit per employee is approximately R30 000 profit after tax per employee per month, a remarkable achievement.

The 23.75% increase in earnings per share reflects the Company's ability to grow the business without diluting the shareholder value. The Company currently serves over 3 000 corporate clients.

TeleMasters became the first Company on the JSE to start paying quarterly dividends to coincide with its established

DIRECTORS' REPORT

quarterly reporting. The directors have declared dividends based on a 40% dividend policy which ranks TeleMasters as one of the higher dividend yields on the JSE. This has resulted in a large amount of Secondary Taxation on Companies being included in the total tax bill which is 53.54% higher than last year. The increase in tax also resulted from the operating profit before tax increasing by 34.76%.

2. POST BALANCE SHEET EVENTS

The directors are unaware of any matter or circumstance arising since the end of the financial year which would have an affect on the Company other than those set out in note 24 of the financial statements.

3. AUTHORISED AND ISSUED SHARE CAPITAL

The Company's authorised and issued share capital as at 30 September 2008 is set out in note 8 of the financial statements. During the year under review no new shares were issued

4. DIVIDENDS

The following dividends were declared during the year:

- ▶ Dividend 1 of 12 cents per share declared on 7 November 2007, payable to shareholders registered on 30 November 2007;
- ▶ Dividend 2 of 6 cents per share declared on 6 May 2008, payable to shareholders registered on 30 May 2008;
- ▶ Dividend 3 of 3 cents per share declared on 30 July 2008, payable to shareholders registered on 22 August 2008;
- ▶ Dividend 4 of 3 cents per share declared on 30 September 2008, payable to shareholders registered on 17 October 2008.

The directors intend to continue with a generous dividend policy.

5. NON-CURRENT ASSETS

No changes were made in the nature of the Company's property, plant and equipment or in the policy regarding their use during the year under review. All changes to the composition of the Company's property, plant and equipment are fully set out in the attached financial statements.

6. DIRECTORS

The Company's directors during the year and to the date of this report are as follows:

Name	Nationality
Mario Brönn Pretorius	South African - Executive
Igenatius Godtlieb Bekker	South African - Executive
Brandon Rodney Topham	South African - Executive
Masetumo Elizabeth Moji	South African - Non-Executive
Jaco Voigt	South African - Independent Non-Executive

7. COMPANY SECRETARY

Brandon Topham Incorporated represented by Brandon Topham was appointed as Company Secretary with effect from 14 May 2008. The Company Secretary's business and postal address is:
100A Club Avenue, Waterkloof Ridge, Pretoria, 0181

DIRECTORS' REPORT

8. SPECIAL RESOLUTIONS

At the Company's annual general meeting held on 20 March 2008 a special resolution was passed granting the directors the general authority to repurchase Company shares. As at the date of this report no repurchase in terms of the special resolution has been made.

9. AUDITORS

BDO Spencer Steward will continue in office in accordance with section 270(2) of the Companies Act.

10. INTERESTS OF DIRECTORS AND OFFICERS

The register of interests of directors in contracts in terms of Section 234 of the Companies Act, is available to the public on request.

11. DIRECTORS' INTEREST IN SHARE CAPITAL

<i>Shareholding at year end</i>	2008	2007
Figures in Rand		
Direct holding:		
IG Bekker	575 910	531 000
ME Moji	360 000	360 000
Indirectly and non-beneficially		
BR Topham	34 285	20 000
Indirectly and beneficially		
BR Topham	463 173	393 626
MB Pretorius	35 700 000	35 700 000
Share dealings during the financial year		
Shares acquired directly		
IG Bekker	44 910	205 000
ME Moji	-	210 000
Shares acquired indirectly and non-beneficially		
BR Topham	14 285	20 000
Shares acquired indirectly and beneficially		
BR Topham	69 547	243 626
Share dealings after year end		
Between the year end and date of report, the following shares were purchased by directors		
Indirectly and beneficially		
BR Topham	10 000	51 057

DIRECTORS' REPORT

12. ANALYSIS OF SHAREHOLDERS

Shareholders holding more than 5% - at 30 September 2008	% Holdings	No. of shareholders	No. of shares
Shareholder			
Maison D'Obsession Trust - CEO beneficial interest	85%	1	35 700 000
Total	85%	1	35 700 000
Shareholder analysis			
Directors	88%	4	37 133 368
Public and staff with no restrictions on dealings	12%	232	4 866 632
Total	100%	236	42 000 000

Shareholders holding more than 5% - at 30 September 2007

Shareholder			
Maison D'Obsession Trust - CEO beneficial interest	85%	1	35 700 000
Total	85%	1	35 700 000
Shareholder analysis			
Directors	88%	4	37 004 626
Public and staff with no restrictions on dealings	12%	207	4 995 374
Total	100%	211	42 000 000

13. LITIGATION

There are currently no legal or arbitration proceedings against the Company (including any proceedings which are pending or threatened) of which the Company is aware which may have, or have occurred in the 12 months preceding the date of this report, a material effect on the position of the Company

13. REGISTERED ADDRESS

The Company is incorporated in the Republic of South Africa as a Public Company and has its registered and domiciled address at: Equity Estate, Building 2, Masters House, Charles De Gaulle Crescent, Highveld Park Extension 9, Centurion, 0159

14. INITIAL PROFIT FORECASTS EXCEEDED

The company prepared profit forecasts at the time of its listing on the JSE which included forecasts for the current financial year. These forecasts were exceeded on account of better than expected market conditions, additional sales initiatives and the streamlining of operations to increase efficiencies.

BALANCE SHEET

Figures in Rand	Note(s)	30 September 2008	30 September 2007
ASSETS			
<i>Non-Current Assets</i>			
Property, plant and equipment	3	11 881 179	7 206 663
Intangible assets	4	2 529 497	308 900
Other financial assets		-	19
Deferred tax	5	248 440	-
		14 659 116	7 515 582
<i>Current Assets</i>			
Trade and other receivables	6	14 913 537	10 782 100
Cash and cash equivalents	7	17 025 662	19 352 863
		31 939 199	30 134 963
Total Assets		46 598 315	37 650 545
EQUITY AND LIABILITIES			
Equity			
Share capital	8	5 508 059	5 508 059
Retained income		14 941 536	11 013 525
		20 449 595	16 521 584
Liabilities			
<i>Non-Current Liabilities</i>			
Instalment sale agreement obligations	9	2 254 981	469 672
Deferred tax	5	-	70 520
		2 254 981	540 192
<i>Current Liabilities</i>			
Current tax payable		6 231 038	4 370 896
Trade and other payables	10	16 575 901	15 926 362
Shareholder loan	11	185 881	-
Instalment sale agreement obligations	9	876 012	269 573
Bank overdraft	7	24 907	21 938
		23 893 739	20 588 769
Total Liabilities		26 148 720	21 128 961
Total Equity and Liabilities		46 598 315	37 650 545

INCOME STATEMENT

Figures in Rand	Note(s)	30 September 2008	30 September 2007
Revenue	12	178 978 732	150 708 587
Cost of sales			
Cost of services rendered		(143 887 490)	(124 334 542)
Gross profit		35 091 242	26 374 045
Other income			
Investment income	13	1 119 622	488 266
Profit on disposal of property, plant and equipment		8 941	-
		1 128 563	488 266
Operating expenses			
Auditors' remuneration		(130 895)	(68 130)
Depreciation and amortisation		(2 858 235)	(2 468 199)
Directors' emoluments	14	(2 561 870)	(2 565 657)
Lease rentals on operating lease		(408 077)	(274 950)
Employee costs		(4 032 712)	(3 201 050)
Other expenses		(5 193 089)	(2 775 266)
		(15 184 878)	(11 353 252)
Profit before finance costs and taxation		21 034 927	15 509 059
Finance costs	15	(207 431)	(54 118)
Profit before taxation		20 827 496	15 454 941
Taxation	16	(6 819 485)	(4 441 416)
Profit for the year		14 008 011	11 013 525
Earnings and diluted earnings per share (cents)	17	33.35	26.95

CHANGES IN EQUITY

Figures in Rand	Share capital	Share Premium	Total share capital	Retained income	Total Equity
Balance at 01 October 2006					
Profit for the year	-	-	-	11 013 525	11 013 525
Issue of shares	4 200	5 966 262	5 970 462	-	5 970 462
Share issue costs		(462 403)	(462 403)		(462 403)
Balance at 30 September 2007	4 200	5 503 859	5 508 059	11 013 525	16 521 584
Balance at 30 September 2007					
Profit for the year	-	-	-	14 008 011	14 008 011
Dividends	-	-	-	(10 080 000)	(10 080 000)
Balance at 30 September 2008	4 200	5 503 859	5 508 059	14 941 536	20 449 595
Note(s)	8	8	8		

CASH FLOW STATEMENT

CASH FLOW STATEMENT

Figures in Rands	Note(s)	30 September 2008	30 September 2007
Cash flows from operating activities			
Cash generated from operations	18	19 282 702	22 633 254
Finance costs	15	(207 431)	(54 118)
Taxation paid		(5 278 302)	-
Net cash generated from operating activities		13 796 969	22 579 136
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(7 348 801)	(9 586 448)
Proceeds from sale of property, plant and equipment	18	105 073	-
Purchase of intangible assets	4	(2 500 680)	(397 313)
Proceeds from sale of financial assets		19	-
Purchase of financial assets		-	(19)
Interest income	13	662 062	323 886
Dividends received	13	457 560	164 380
Net cash used in investing activities		(8 624 767)	(9 495 514)
Cash flows from financing activities			
Proceeds on share issue	8	-	5 970 462
Reduction of share premium with share issue costs	8	-	(462 403)
Proceeds from borrowings		3 173 113	867 774
Repayment of borrowings		(595 485)	(128 530)
Dividends paid to Company's shareholders		(10 080 000)	-
Net cash from financing activities		(7 502 372)	6 247 303
Total cash movement for the year		(2 330 170)	19 330 925
Cash at beginning of the year		19 330 925	-
Total cash at end of the year	7	17 000 755	19 330 925

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa. The financial statements have been prepared on the historical cost basis, modified for certain items measured at fair value, and incorporating the principal accounting policies set out below.

These accounting policies are consistent with the prior period except for the adoption of IFRS 7 - Financial Instruments. This has had the effect of expanding disclosure of financial instruments.

1.1 Significant judgements

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgements is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade and other receivables

The Company determines at each balance sheet date whether an impairment loss should be recognised in respect of certain trade receivables. In assessing recoverability of amounts, the Company considers previous experience and current observable data that indicates a measurable decrease in the estimated future cash flows from the financial asset.

Property, plant and equipment

Fixed assets are reviewed annually on an individual basis to determine useful life and residual value. Useful life is determined taking into account technological advances impacting the industry. Residual value is determined with reference to current market prices.

Intangible assets

Intangible assets are reviewed annually on an individual basis to determine useful life and residual value. Useful life is determined after taking into account the period of time from which the Company will earn revenue from the intangible assets.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- ▶ it is probable that future economic benefits associated with the item will flow to the Company; and
- ▶ the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it if they are not day to day servicing costs. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Depreciation is recognised so as to write off the cost of an asset to its residual value over the following useful lives:

Item	Average useful life
Furniture and fixtures	6 years
Motor vehicles	5 years
Office equipment	6 years
IT equipment	3 years
Routers and handsets	3 years

ACCOUNTING POLICIES

The residual value, depreciation method and useful life of each asset are reviewed at each financial period-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately if it has a useful life or depreciation method that differs from the remainder of the asset.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Intangible assets

An intangible asset is recognised when:

- ▶ it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company; and
- ▶ the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- ▶ it is technically feasible to complete the asset so that it will be available for use or sale;
- ▶ there is an intention to complete and use or sell it;
- ▶ there is an ability to use or sell it;
- ▶ it will generate probable future economic benefits;
- ▶ there are available technical, financial and other resources to complete the development and to use or sell the asset;
- ▶ the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. Instead they are tested for impairment at each reporting date as well as whenever there is an indicator of impairment. For all other intangible assets amortisation is provided on a straight line basis (to their residual values, if any) over their useful lives.

The amortisation period, residual value and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

ACCOUNTING POLICIES

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Average Useful life
Computer software	3 years
Client base	6 years

1.4 Financial instruments

Initial recognition

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the Company's balance sheet on the trade date, which is the date when the Company becomes party to the contractual provisions of the instrument.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets

Loans and receivables: These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables and loans.

Trade and other receivables: These are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The Company's financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flow of the asset have been impacted.

Trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables is based on the Company's past experience of collecting payments, and includes an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

At each balance sheet date, the Company determines on a case-by-case basis whether there is objective evidence of an impairment loss. The following factors are considered in determining whether an impairment loss should be provided for:

- ▶ the number of days that the debt is in arrears;
- ▶ whether the debtor has been liquidated or has closed down the business;
- ▶ if provisional liquidation has been sought against the debtor;
- ▶ any litigation proceedings against the debtor and the likely outcomes;
- ▶ any communication from the debtor indicating an inability to pay within the agreed credit terms;
- ▶ any evidence of liquidity difficulties experienced by the debtor;
- ▶ adverse credit reports.

ACCOUNTING POLICIES

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Loans receivable: These are initially measured at fair value plus direct transaction costs. At subsequent reporting dates they are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised. The Company does not make use of an allowance account for loans receivable. Impairments are processed directly to the loan receivable.

Cash and cash equivalents: These comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Trade and other payables: These are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Bank overdraft: This is initially measured at fair value, and is subsequently measured at amortised cost using the effective interest rate method.

Long-term borrowings: These are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings using the effective interest rate method.

Loans from shareholders and directors: These are initially recognised at fair value plus direct transaction costs. Subsequently these loans are measured at amortised cost using the effective interest rate method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

If the Company reacquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Consideration paid or received is recognised directly in equity.

ACCOUNTING POLICIES

Derecognition

Financial assets: The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the asset and substantially all the risk and rewards of ownership of the asset to another entity.

Financial liabilities: The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

1.5 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill or is a result of the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- ▶ a transaction or an event which is recognised, in the same or a different period, directly in equity; or
- ▶ a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee.

ACCOUNTING POLICIES

Finance leases - lessee

Finance leases are recognised as assets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

Any contingent rents are expensed in the period in which they are incurred.

1.7 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset of the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- ▶ first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- ▶ then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The Company assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

ACCOUNTING POLICIES

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits, such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.9 Provisions and contingencies

Provisions are recognised when:

- ▶ the Company has a present obligation as a result of a past event;
- ▶ it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- ▶ a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 22.

1.10 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- ▶ the amount of revenue can be measured reliably;
- ▶ it is probable that the economic benefits associated with the transaction will flow to the Company;
- ▶ the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- ▶ the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the Company's right to receive payment has been established.

ACCOUNTING POLICIES

1.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.12 Cost of sales

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.13 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are declared i.e. no longer at the discretion of the Company but solely as approved by the Company's Board.

1.14 New standards issued, but not yet effective, comprises:

IFRS 8 - Operating Segments

This standard requires an entity to report financial and descriptive information about its reportable segments or aggregation of operating segments that meet specified criteria. This standard is effective for annual periods beginning on or after 1 January 2009. The Company does not intend to adopt this standard early. Management is of the opinion that the adoption of this standard will not have a significant impact on the financial statements.

1.15 New interpretations issued, but not yet effective, comprises:

Management does not intend to adopt any of the following interpretations detailed below prior to their effective date. In addition management is of the opinion that the adoption of these standards will not have an impact on the financial statements.

IFRIC 12 - Service Concession Arrangements

This interpretation addresses the accounting by private sector operations involved in the provision of public sector infrastructure and services, such as schools and roads. This interpretation is effective for annual periods beginning on or after 1 January 2008.

IFRIC 13 - Customer Loyalty Programmes

This interpretation addresses accounting by entities that grant loyalty award credits (such as 'point' or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits. This interpretation requires the allocation of some of the proceeds of the initial sale to the award credits and recognises these proceeds as revenue only when they have fulfilled their obligations. They may fulfil their obligations by supplying awards themselves or engaging (and paying) a third party to do so. This interpretation is effective for annual periods beginning on or after 1 July 2008.

IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This interpretation deals with the limit placed on the amount of a surplus in a pension plan to be recognised as an asset, how the minimum funding requirement affects such a limit and when a minimum funding requirement creates

ACCOUNTING POLICIES

an onerous obligation that should be recognised as a liability. This interpretation is effective for annual periods beginning on or after 1 January 2008.

IFRIC 15 - Agreements for the Construction of Real Estate

This Interpretation addresses the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. Agreements within the scope of IFRIC 15 are described as 'agreements for the construction of real estate', and may include the delivery of other goods or services. IFRIC 15 addresses two (related) issues being determining whether an agreement for the construction of real estate is within the scope of IAS 11 - Construction Contracts or IAS 18 - Revenue and when revenue from the construction of real estate should be recognised. The interpretation is effective for annual periods beginning on or after 1 January 2009.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

This interpretation provides guidance on net investment hedging, including: which foreign currency risks qualify for hedge accounting, and what amount can be designated; where within the Company the hedging instrument can be held; and what amount should be reclassified to profit or loss when the hedged foreign operation is disposed of. The interpretation is effective for annual periods beginning on or after 1 October 2008.

IFRIC 17 - Distribution of Non-cash Assets to Owners

This interpretation deals with pro rata distributions of non-cash assets with the exception of common control transactions. The Interpretation is effective for annual periods beginning on or after 1 July 2009.

IFRIC 18 - Transfers of Assets from Customer

This interpretation deals with receipt of items of property, plant and equipment from customers to be used to connect the customer to a network or provide such customer with an ongoing service. The Interpretation applies prospectively to assets transferred from customers on or after 1 July 2009.

1.16 Amendments to existing standards issued, but not yet effective, comprises:

Management does not intend to adopt any of the amendments detailed below prior to their effective date. In addition management is of the opinion that the adoption of these standards will not have a significant impact on the financial statements.

IFRS 1 - First Time Adoption of International Financial Reporting Standards

This amendment deals with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRS for the first time. This amendment to the standard is effective for annual periods beginning on or after 1 July 2009.

IFRS 2 - Share Based Payment

This amendment deals with vesting conditions and cancellations. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IFRS 3 - Business Combinations

This amendment deals with the accounting for business combinations. This amendment to the standard is effective for annual periods beginning on or after 1 July 2009.

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations

This amendment deals with plans to sell the controlling interest in a subsidiary. This amendment to the standard is effective for annual periods beginning on or after 1 July 2009.

ACCOUNTING POLICIES

IFRS 7 - Financial Instruments: Disclosures

This amendment deals with presentation of finance costs. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 1 - Presentation of Financial Statements

This amendment deals with amendments to structure of Financial Statements and current / non-current classification of derivatives. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

This amendment deals with the status of implementation guidance. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 10 - Events after the Reporting Period

This amendment deals with dividends declared after the end of the reporting period. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 16 - Property, Plant and Equipment

This amendment deals with recoverable amount and sale of assets held for rental. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 18 - Revenue

This amendment deals with costs of originating a loan. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 19 - Employee Benefits

This amendment deals with curtailments and negative past service cost, plan administration costs, replacement of term 'fall due' and guidance on contingent liabilities. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance

This amendment deals with government loans with a below-market rate of interest and consistency of terminology with other IFRSs. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 23 - Borrowing Costs

This amendment only allows the capitalization model and components of borrowing costs. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 27 - Consolidated and Separate Financial Statements

This amendment deals with the measurement of the cost of investments when adopting IFRS for the first time, consequential amendments from changes to Business Combinations and measurement of a subsidiary held for sale in the separate financial statements. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009. In addition the amendment that deals with consequential amendments from changes to Business Combinations is effective for annual periods beginning on or after 1 July 2009.

IAS 28 - Investments in Associates

This amendment deals with consequential amendments from changes to Business Combinations, required disclosures when investments in associates are accounted for at fair value through profit or loss and impairment of investment in associate. This amendment to the standard is effective for annual periods beginning on or after

ACCOUNTING POLICIES

1 January 2009. In addition the amendment that deals with consequential amendments from changes to Business Combinations is effective for annual periods beginning on or after 1 July 2009.

IAS 29 - Financial Reporting in Hyperinflationary Economies

This amendment deals with description of measurement basis in financial statements and consistency of terminology with other IFRS's. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 31 - Interests in Joint Ventures

This amendment deals with consequential amendments from changes to Business Combinations and required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009. In addition the amendment that deals with consequential amendments from changes to Business Combinations is effective for annual periods beginning on or after 1 July 2009.

IAS 32 - Financial Instruments: Presentation

This amendment deals with certain financial instruments that will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 34 - Interim Financial Reporting

This amendment deals with earnings per share disclosures in interim financial reports. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 36 - Impairment of Assets

This amendment deals with disclosure of estimates used to determine the recoverable amount. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 38 - Intangible Assets

This amendment deals with advertising activities, promotional activities and unit of production method of amortization. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 39 - Financial Instruments: Recognition and Measurement

This amendment deals with reclassification of derivatives into or out of the classification of at fair value through profit or loss, designating and documenting hedges at the segment level and applicable effective interest rate on cessation of fair value hedge accounting. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009. In addition the amendment that deals with clarification of two hedge accounting issues, namely Inflation in a financial hedged item and a one-sided risk in a hedged item is effective for annual periods beginning on or after 1 July 2009.

IAS 40 - Investment Property

This amendment deals with property under construction or development for future use as investment property, consistency of terminology with IAS 8 and investment property held under lease. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

IAS 41 - Agriculture

This amendment deals with discount rate for fair value calculations, additional biological transformation, examples of agricultural produce and products and point-of-sale costs. This amendment to the standard is effective for annual periods beginning on or after 1 January 2009.

NOTES TO THE FINANCIAL STATEMENTS

2. SEGMENT REPORT

The Company does not have different operating segments. The business is conducted in South Africa and is managed centrally and has no branches. The Company is managed as one operating unit. Accordingly there is no meaningful segmental information to report other than the following:

Figures in Rand	2008	2007
Revenue by nature		
Sales of Airtime	161 375 331	139 052 707
Connection Incentive Bonuses	15 159 260	11 569 990
Other	2 444 141	85 890
Total	178 978 732	150 708 587

Major customers

Revenues from transactions with a single external customer amounting to 10% or more of the Company's revenue, are disclosed below:

Sales of airtime - Customer A	17 525 775	33 250 830
Sales of airtime - Customer B	25 229 813	-
Sales of airtime, commission earned on airtime and Connection Incentive Bonuses - Other	136 223 144	117 457 757
Total	178 978 732	150 708 587

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated depreciation	2008 Carrying value
Furniture and fixtures	96 210	(17 541)	78 669
Motor vehicles	1 711 023	(351 412)	1 359 611
Office equipment	60 527	(3 341)	57 186
IT equipment	251 147	(83 593)	167 554
Routers and handsets	14 688 168	(4 470 009)	10 218 159
	16 807 075	(4 925 896)	11 881 179

	Cost	Accumulated depreciation	2007 Carrying value
Furniture and fixtures	53 328	(9 322)	44 006
Motor vehicles	825 494	(96 923)	728 571
Office equipment	4 572	(762)	3 810
IT equipment	107 919	(22 006)	85 913
Routers and handsets	8 595 136	(2 250 773)	6 344 363
	9 586 449	(2 379 786)	7 206 663

NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	44 006	42 882	-	(8 219)	78 669
Motor vehicles	728 571	1 013 704	(96 132)	(286 532)	1 359 611
Office equipment	3 810	55 954	-	(2 578)	57 186
IT equipment	85 913	143 228	-	(61 587)	167 554
Routers and handsets	6 344 363	6 093 033	-	(2 219 237)	10 218 159
	7 206 663	7 348 801	(96 132)	(2 578 153)	11 881 179

Reconciliation of property, plant and equipment - 2007

	Opening Balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	-	53 328	-	(9 322)	44 006
Motor vehicles	-	825 494	-	(96 923)	728 571
Office equipment	-	4 572	-	(762)	3 810
IT equipment	-	107 919	-	(22 006)	85 913
Routers and handsets	-	8 595 136	-	(2 250 773)	6 344 363
		9 586 449		(2 379 786)	7 206 663

Pledged as security

Figures in Rand	2008	2007
Carrying value of assets pledged as security:		
Motor vehicles	1 359 611	728 571
Routers and handsets	1 664 732	-
	3 024 343	728 571

Pledged as security in terms of instalment sale obligations set out in note 9.

NOTES TO THE FINANCIAL STATEMENTS

4. INTANGIBLE ASSETS

Figures in Rand	Cost	Accumulated amortisation	2008 Carrying value
Other intangible assets			
Computer software	627 493	(240 656)	386 837
Client base	2 270 500	(127 840)	2 142 660
	2 897 993	(368 496)	2 529 497

Other intangible assets include client base contracts acquired from external parties. These contracts are for the provision of Least-cost routing services on terms similar to those provided by TeleMasters. They have expected remaining amortisation periods of five to six years.

	Cost	Accumulated depreciation	2007 Carrying value
Other intangible assets			
Computer software	397 313	(88 413)	308 900

Reconciliation of intangible assets - 2008	Opening Balance	Additions acquired separately	Disposals	Amortisation	Total
Computer software	308 900	230 180	-	(152 243)	386 837
Client base	-	2 270 500	-	(127 840)	2 142 660
	308 900	2 500 680	-	(280 083)	2,529 497

Reconciliation of intangible assets - 2007	Opening Balance	Additions acquired separately	Disposals	Depreciation	Total
Computer software	-	397 313	-	(88 413)	308 900

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2008	2007
5. DEFERRED TAX		
Accelerated capital allowances for tax purposes	-	(75 798)
Provisions for accrual	(63 834)	(80 334)
Provisions for leave pay	43 925	35 652
Provision for bad debts	268 349	49 960
	248 440	(70 520)
Reconciliation of deferred tax		
At beginning of year	(70 520)	-
Change in rate	2 426	-
Reversing/(Originating) temporary difference on property, plant and equipment	74 150	(75 798)
Originating temporary difference on provision for bad debt	220 112	49 960
Reversing/(Originating) temporary difference on accruals	22 272	(44 682)
	248 440	(70 520)
6. TRADE AND OTHER RECEIVABLES		
Trade receivables	15 515 813	10 734 901
Other receivable	236 979	276 898
Prepaid expenses	438 596	-
Provision for bad debt	(1 277 851)	(229 699)
	14 913 537	10 782 100
7. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Bank balances	17 025 662	19 352 863
Bank overdraft	(24 907)	(21 938)
	17 000 755	19 330 925
Current assets	17 025 662	19 352 863
Current liabilities	(24 907)	(21 938)
	17 000 755	19 330 925

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2008	2007
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8. SHARE CAPITAL

Authorised

500 000 000 Ordinary shares with a par value of R0,0001	50 000	50 000
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Reconciliation of number of shares issued:

Reported as at beginning of financial year	42 000 000	4 620 000
Issue of shares - ordinary shares	-	37 380 000
	42 000 000	42 000 000

458 000 000 unissued ordinary shares are under the control of the directors subject to the provisions of the Companies Act, Rules and Listings Requirements of the JSE.

Issued

Ordinary shares	4 200	4 200
Share premium	5 966 262	5 966 262
Share issue costs written off against share premium	(462 403)	(462 403)
	5 508 059	5 508 059

9. INSTALMENT SALE AGREEMENT OBLIGATIONS

Minimum lease payment due

- within one year	1 289 278	349 072
- in second to fifth year inclusive	2 858 131	518 808
	4 147 409	867 880

Less: Future finance charges

- within one year	(413 266)	(79 499)
- in second to fifth year inclusive	(603 150)	(49 136)

Present value of minimum lease payments

3 130 993	739 245
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Minimum lease payment due

- within one year	876 012	269 573
- in second to fifth year inclusive	2 254 981	469 672

Present value of minimum lease payments

3 130 993	739 245
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Non-current liabilities	2 254 981	469 672
Current liabilities	876 012	269 573

3 130 993	739 245
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NOTES TO THE FINANCIAL STATEMENTS

9. INSTALMENT SALE AGREEMENT OBLIGATIONS (Continued)

It is company policy to acquire motor vehicles and certain larger telephony routers under instalment sale agreements. The average instalment sale agreement term is 36 (2007: 36) months and the average effective borrowing rate is 13.5% to 15.5% (2007 - 10% to 12.4%). Interest rates are linked to prime at the contract date. All instalment sale agreements have fixed repayments and no arrangements have been entered into for contingent rent. The Company's obligations under instalment sale agreements are secured by the lessor's charge over the financed assets. Refer to note 3.

Figures in Rand	2008	2007
10. TRADE AND OTHER PAYABLES		
Trade payables	14 079 407	15 195 785
Other payables	172 831	-
Deposits received	130 145	36 290
VAT	776 643	571 348
Shareholders for dividends	1 260 000	-
Leave pay accrual	156 875	122 939
	16 575 901	15 926 362

11. SHAREHOLDERS' LOANS

Maison D' Obsession Trust	185 881	-
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The unsecured loan is interest free and has no terms of repayment.

12. REVENUE

Services rendered	178 978 732	150 708 587
Revenue by nature		
Sales of airtime	161 375 331	139 052 707
Connection Incentive Bonuses	15 159 260	11 569 990
Other	2 444 141	85 890
Total	178 978 732	150 708 587

13. INVESTMENT INCOME

Dividend revenue		
Financial institutions - Local	457 560	164 380
Interest revenue		
Banks - Local	662 062	137 752
Related party - Local	-	186 134
	662 062	323 886
	1 119 622	488 266

NOTES TO THE FINANCIAL STATEMENTS

14. DIRECTORS' EMOLUMENTS

Figures in Rand	Fringe Benefits	Bonus	Basic Salary	Total
Executive				2008
For service as directors				
MB Pretorius	147 328	-	1 361 900	1 509 228
BR Topham	-	-	360 000	360 000
IG Bekker	107 632	-	420 000	527 632
	254 960	-	2 141 900	2 396 860
Non-executive				
For service as directors				
ME Moji	-	-	120 000	120 000
J Voigt	-	-	45 010	45 010
	-	-	165 010	165 010
Total	254 960	-	2 306 910	2 561 870
Executive				2007
For service as directors				
MB Pretorius	-	-	1 560 000	1 560 000
BR Topham	-	-	360 000	360 000
IG Bekker	105 657	-	420 000	525 657
	105 657	-	2 340 000	2 445 657
Non-executive				
For service as directors				
ME Moji	-	-	120 000	120 000
Total	105 657	-	2 460 000	2 565 657

During the prior period Directors' Emoluments were disclosed as net payments to directors. A reclassification has been made from employee costs to the prior year amount disclosed as Directors' Emoluments to reflect the gross remuneration amounts to directors.

The net payments to directors in 2008 amounted to R1 526 952 (2007 - R1 682 018)

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2008	2007
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15. FINANCE COSTS

Interest paid - instalment sale obligations	203 478	52 472
Interest paid - bank	3 953	1 646
Total	207 431	54 118

16. TAXATION

Major components of the tax expense

Current

Income tax - current period	6 199 222	4 370 896
Secondary Tax on Companies - current period	939 222	-

Deferred

(Reversing) / originating temporary differences	(318 959)	70 520
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Total	6 819 485	4 441 416
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Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate

Applicable tax rate	28.00%	29.00 %
Exempt income	(0.62)%	(0.31) %
Secondary Tax on companies	4.50%	-
Rate change	(0.01)%	-
Disallowable expenses	0.87%	0.05 %
Average effective tax rate	32.74 %	28.74 %

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2008	2007
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17. EARNINGS AND HEADLINE EARNINGS PER SHARE

Earnings per share (cents)	33.35	26.95
Headline earnings per share (cents)	33.33	26.95

The above calculations were determined using the following information:

Earnings		
Profit attributable to shareholders of the Company	14 008 011	11 013 525
Headline earnings		
Profit attributable to shareholders of the Company	14 008 011	11 013 525
Adjusted for:		
IAS 16 gains on disposal of property, plant and equipment	(8 941)	-
Total tax effects of adjustments	2 503	-
Headline earnings	14 001 573	11 013 525

Weighted number of ordinary shares outstanding	Number of shares issued	Weighted average number of shares
Shares as at 1 October 2006	4 620 000	4 620 000
Effect of shares issued in October 2006	34 440 000	34 440 000
Effect of shares issued in February 2007	2 940 000	1 793 000
Shares at 30 September 2007	42 000 000	40 853 000
Shares at 30 September 2008	42 000 000	42 000 000

There are no instruments in issue or other obligations that have a dilutive effect on earnings.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2008	2007
18. CASH GENERATED FROM OPERATIONS		
Profit before taxation	20 827 496	15 454 941
Adjustments for:		
Depreciation	2 578 153	2 379 786
Amortisation	280 083	88 413
Finance costs	207 431	54 118
Profit on disposal of property, plant and equipment	(8 941)	-
Interest received	(662 062)	(323 886)
Dividends received	(457 560)	(164 380)
Changes in working capital:		
Trade and other receivables	(4 131 437)	(10 782 100)
Trade and other payables	649 539	15 926 362
	19 282 702	22 633 254

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

Carrying amount (note 3)	96 132	-
Profit on disposal of property, plant and equipment	8 941	-
Proceeds from disposal of property, plant and equipment	105 073	-

19. DIVIDEND PER SHARE

The dividends paid in 2008 were R10 080 000 (24 cents per share) and no dividends were paid in the 2007 year (nil cents per share).

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT

The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by management under policies approved by the Board. Management evaluates financial risks in close cooperation with the Company's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and the use of derivative financial instruments.

The Company is exposed to risks from its use of financial instruments. This note describes the Company's objective, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. The Company is currently exposed to credit risk, liquidity risk and market risk of which comprises cash flow interest rate risk. Directors are of the opinion that the carrying amount of all financial assets and financial liabilities approximate their fair values. The carrying amount of current financial instruments approximate their fair values due to the short-term maturities of these financial instruments. Remaining long-term borrowings bear interest at market related interest rates which allows for the current carrying amount to be equivalent to its current fair value.

The Company is not exposed to foreign exchange risk.

There have been no substantive changes to the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note. Information disclosed has not been disaggregated, with the exception of trade receivables and trade payables, as the remaining financial instruments used by the Company share the same economic characteristics and market conditions.

Principle financial instruments

The principle financial instruments used by the Company, from which financial risk arises, are as follows:

- ▶ Trade and other receivables
- ▶ Cash and cash equivalents
- ▶ Bank overdraft
- ▶ Shareholder loan
- ▶ Variable rate instalment sale liabilities
- ▶ Trade and other payables

The directors have an overall responsibility for the determination of the Company's risk management, objectives and policies, and whilst retaining ultimate responsibility for them, they ensure that excess cash as generated from their operations is invested with recognised financial institutions, finance is provided by recognised financial institutions and customers of substantial credit quality are accepted. The main purpose of financial liabilities is to raise finance to fund the acquisition of property, plant and equipment and intangible assets, working capital and future acquisitions. The directors, on a monthly basis, monitor their collections from the Company's receivables, movement in prime lending rates and the risks that the Company is exposed to based on current market conditions. Risks are managed as described above. The Company does not use derivative financial instruments.

The Board's overall objective is to set policies that seek to reduce the risks to which the Company is exposed directly as far as possible without unduly affecting the Company's general business operation. Further details regarding these policies are set out below:

NOTES TO THE FINANCIAL STATEMENTS

Procedures for mitigating risk

Procedures for mitigating risk include:

- ▶ Performing credit checks on potential customers;
- ▶ Cash flow forecasts are prepared regularly for three-month periods and are reviewed weekly. Forward exchange contracts are not entered into with financial institutions in order to minimise the Company's exposure to exchange rate fluctuations as the Company does not have any direct dealings with suppliers or customers where an exchange risk may occur.

When a customer is identified as having cash flow problems the credit manager will take the following steps:

- ▶ Confirm the situation with the customer.
- ▶ Advise the director of the situation during the monthly meeting at which outstanding debtors balances are reviewed.
- ▶ Place the customer on hold.
- ▶ Issue letters of demand and decide whether to proceed with further legal action.

Procedures for avoiding excessive concentration of risk

Procedures for avoiding excessive concentration of risk include:

- ▶ maintaining a wide customer base;
- ▶ continually looking for opportunities to expand customer base;
- ▶ reviewing current developments in technology in order to identify any product line which may increase margins in the future.

Financial assets by category

Figures in Rand	Held for trading	Loans & Receivables	Held to maturity	Available for sale	Total
2008					
Trade & other receivables					
- Local	-	14 913 537	-	-	14 913 537
Cash and cash equivalents	-	-	-	17 025 662	17 025 662
	-	14 913 537	-	17 025 662	31 939 199
2007					
Trade receivables					
- Local	-	10 782 100	-	-	10 782 100
Cash and cash equivalents	-	-	-	19 352 863	19 352 863
	-	10 782 100	-	19 352 863	30 134 963

NOTES TO THE FINANCIAL STATEMENTS

Financial liabilities by category

Figures in Rand	Held for trading	At amortised cost	Total
2008			
Instalment sale agreements	-	3 130 993	3 130 993
Trade and other payables			
- Local	-	16 575 901	16 575 901
Shareholders loan	-	185 881	185 881
Bank overdraft	-	24 907	24 907
	-	19 917 682	19 917 682
2007			
Instalment sale agreements	-	739 245	739 245
Trade and other payables			
- Local	-	15 926 362	15 926 362
Bank overdraft	-	21 938	21 938
	-	16 687 545	16 687 545

Credit risk

Credit risk is managed on a company basis. Credit risk arises from cash and cash equivalents and trade receivables. With respect to cash and cash equivalents, cash is only invested with recognised and reputable financial institutions. The credit quality of customers is assessed by taking into account their financial position, past experience and other factors. Individual risk limits are set internally and are regularly monitored.

The Company sells airtime to customers who are considered to be credit worthy. It is the Company's policy that all customers be subjected to a credit verification procedure before agreements are entered into. In addition, the trade debtors' age analysis is reviewed weekly with the intention of minimising the Company's exposure to bad debts. The maximum exposure of financial assets to credit risk is the carrying value of related financial assets as reflected on the face of the balance sheet.

Should the need arise, it would be the Company's policy to take collateral. To date no collateral has been taken or obtained. Trade receivables that are neither past due nor impaired are considered to be of high credit quality accompanied by an insignificant default rate.

The Company does not provide for impairment losses on a general basis. Debts that are past due are impaired based on evidence of the factors cited above and in the accounting policy.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2008	2007
Reconciliation of movement of doubtful debt provision for individually assessed trade debtors:		
Balance brought forward	229 699	-
Increase in provision	1 474 135	229 699
Decrease in provision	-	-
Debts written off against provision	(425 983)	-
Balance carried forward	1 277 851	229 699

The Company's maximum exposure to credit risk in respect of trade receivables can be classified per ageing category as follows:

	Total receivable before impairment	Impairment provision	Net receivable after impairment provision
2008			
Current & less than 30 days	12 408 580	(42 580)	12 366 000
Less than 60 days	1 753 620	(51 092)	1 702 528
Less than 90 days	210 466	(100 964)	109 502
Greater than 90 days	1 143 147	(1 083 215)	59 932
	15 515 813	(1 277 851)	14 237 962
2007			
Current & less than 30 days	9 599 316	(22 810)	9 576 506
Less than 60 days	633 781	(19 644)	614 137
Less than 90 days	227 373	(28 941)	198 432
Greater than 90 days	274 431	(158 304)	116 127
	10 734 901	(229 699)	10 505 202
Overdue but not impaired			
		2008	2007
Less than 60 days		1 702 528	614 137
Less than 90 days		109 502	198 432
Greater than 90 days		59 932	116 127
		1 871 962	928 696

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2008	2007
The Company's maximum exposure to credit risk in respect of trade receivables can be classified per significant customers as follows:		
Customer A	-	3 935 452
Customer B	4 665 753	-
Customer C	3 460 536	1 690 392
Other customers	7 389 524	5 109 057
	15 515 813	10 734 901

Liquidity risk

Liquidity risk arises from the Company's management of trade and other payables and principle repayments on its debt instruments and operating leases. It is the risk that the Company will experience financial difficulty in meeting financial obligations as they fall due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its obligations when they fall due. To achieve this it seeks to maintain cash balances and agreed facilities with reputable financial institutions. This is also achieved by monitoring the economy to ensure that necessary price increases are effected. There have been no defaults or breaches on instalment sale liabilities, shareholder loans and trade payables during the course of the financial year. Furthermore, security has been provided for instalment sale liabilities. This is further described in note 3.

Contractual maturity analysis

	Payable within one year/on demand	Payable within 2 to 5 years	Payable after 5 years
2008			
Undiscounted cash flows arising from financial liabilities due:			
Trade and other payables			
- Local	16 575 901	-	-
Bank overdraft	24 907	-	-
Tax payable	6 231 038	-	-
Operating leases	477 395	-	-
Shareholders loan	185 881	-	-
Instalment sale agreement obligations	1 289 278	2 858 131	-
	24 784 400	2 858 131	-
2007			
Undiscounted cash flows arising from financial liabilities due			
Trade creditors			
- Local	15 926 362	-	-
Bank overdraft	21 938	-	-
Tax payable	4 370 896	-	-
Operating leases	383 437	-	-
Instalment sale agreement obligations	349 072	518 808	-
	21 051 705	518 808	-

NOTES TO THE FINANCIAL STATEMENTS

Management of liquidity risk

Management of liquidity risk in regard to financial liabilities includes a summary of the Company's bank accounts are prepared daily which is reviewed and based on these summaries, decisions are made to transfer excess funds from the main current account to other facilities in order to increase the interest earnings to the Company.

Market risk

Interest rate risk

Market risk arises from the Company's use of variable interest rate instalment sale liabilities and bank balances that are carried at amortised cost. It is the risk that the future cash flow of a financial instrument will fluctuate because of changes in interest rates. Future changes to the prime lending rates will have a direct impact on the future cash payments towards the settlement of the financial obligation. The risk remains un-hedged at the reporting date. Exposure to cash flow interest rate risk on financial assets and liabilities is monitored on a continuous basis. The Company does not carry any fixed interest bearing financial instruments and is therefore not exposed to fair value interest rate risk.

Interest rates on instalment sale agreements are linked to the overdraft rate. The prime rate as at year end was 15.5% (2007:13.5%).

Detailed below are the interest rates applicable to interest bearing liabilities:

Interest linked to prime overdraft rate

Instalment sale agreement obligations with interest rates which vary from 13.5% to 15.5% (2007: 10.0% to 12.4%)

The Company also holds cash and cash equivalents, which earns interest at variable rates and has variable rate debt in issue. Consequently, the Company is exposed to cash flow interest rate risk.

Cash and cash equivalents comprise cash in hand and bank balances. Excess funds are deposited with reputable financial institutions on a rate quotation basis. This ensures that the Company earns the most advantageous rates of interest available.

Sensitivity analysis

The Company is sensitive to the movements in the South African interest rates which are the primary interest rates to which the Company is exposed. The Company has used a sensitivity analysis technique that measures the estimated change to the income statement of an instantaneous increase or decrease, as detailed in the table below, in market interest rates on financial liabilities from the applicable rate as at 30 September 2008, for each class of financial instrument with all other variables remaining constant. The calculations were determined with reference to the outstanding financial liability and financial asset balances for the year. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate of reasonably possible changes in interest rates.

Figures in Rand	2008		2007	
	After tax effect on profit & loss 1% Increase	After tax effect on profit & loss 1% Decrease	After tax effect on profit & loss 1% Increase	After tax effect on profit & loss 1% Decrease
South African lending rate				
Variable rate instalment sale liabilities	(23 121)	23 121	(5 249)	5 249
Cash and cash equivalents - Local	122 405	(122 405)	137 250	(137 250)

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand 2008 2007

Capital management

The Company's capital structure consists of debt which includes interest bearing borrowings, cash and cash equivalents and equity attributable to equity holders of the Company which comprises issued share capital and accumulated earnings. The Company's capital management objective is to achieve an effective weighted average cost of capital while continuing to safeguard the Company's ability to meet its liquidity requirements, repay borrowings as they fall due and continue as a going concern, whilst concurrently ensuring that at all times its credit worthiness is considered to be at least investment grade. This policy is consistent with that of the comparative period. The Company is not subject to any external capital requirements.

21. COMMITMENTS

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	477 395	383 437
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Operating lease payments represent rentals payable by the Company for certain of its office properties. Leases are negotiated annually and rentals are fixed for an average of 12 months. No contingent rent is payable.

22. CONTINGENCIES

The Company has a general contingency in respect of the Connection Incentive Bonuses received from the supplier in respect of new line activations. In terms of the contract with the supplier, in the event of cancellations by the Company before the expiration date of the contract entered into between the Company and its supplier, part of the Connection Incentive Bonus received must be repaid to the supplier. No material losses are expected under these arrangements as no bonus amounts have been repaid in the current or prior year.

23. RELATED PARTIES

Entity in which member of key management has a beneficial interest and a common director:

TeleMasters (Pty) Ltd	Beneficial interest and common director	ME Moji
TeleMasters (Pty) Ltd	Common director	MB Pretorius
Snowy Owl Properties 82 (Pty) Ltd	Beneficial interest and common director	MB Pretorius
Expectra Telephony Audits (Pty) Ltd	Beneficial interest and common director	MB Pretorius
Expectra Telephony Audits (Pty) Ltd	Beneficial interest and common director	IG Bekker
Expectra 51 (Pty) Ltd	Beneficial interest and common director	MB Pretorius
Expectra 51 (Pty) Ltd	Beneficial interest and common director	IG Bekker
Wilbek Properties CC	Beneficial interest and common director	IG Bekker
Maison D'Obsession Trust	Beneficial interest and common director	MB Pretorius

Rent paid to related parties

Snowy Owl Properties 82 (Pty) Ltd	376 877	274 950
TeleMasters (Pty) Ltd	-	113 775
Wilbek Properties CC	31 199	-

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2008	2007
Interest received from related parties		
TeleMasters (Pty) Ltd	-	(186 134)
Commission paid to related parties		
Expectra Telephony Audits (Pty) Ltd	75 587	96 445
TeleMasters (Pty) Ltd	3 658 790	201 404
Expectra 51 (Pty) Ltd	18 078	79 618
Sales to related parties		
TeleMasters (Pty) Ltd	25 229 813	-
Balances owing to related parties		
Maison D'Obsession Trust	185 881	-
Balances owing to related parties included in Trade and other payables:		
TeleMasters (Pty) Ltd	252 432	70 000
Expectra Telephony Audits (Pty) Ltd	807	-
Balances owing by related parties included in Trade and other receivables		
TeleMasters (Pty) Ltd	4 665 753	-

24. POST BALANCE SHEET EVENTS

Intangible asset and property, plant and equipment acquired

24.1 On 23 October 2008, the Company acquired a portion of the client base operating least cost routers of African Paradigm Communications (Pty) Ltd trading as One Communications together with the property, plant and equipment utilised by the client base.

Details of the net assets acquired are as follows:

Purchase consideration: R4 000 000

Made up as follows:

Property plant and equipment acquired: R1 100 000

Intangible asset - Client base acquired: R2 900 000

24.2 During the course of normal business operations the Company acquired additional property, plant and equipment at cost, as follows:

Motor vehicles R680 969

Routers and handsets R2 826 006

Dividends declared

24.3 On 17 December 2008, the Board declared a further interim dividend (no 5) of 4 cents per share which was paid to shareholders on 16 January 2009.

TeleMasters IN THE PRESS

FinWeek: Meesterlik, maar illikied

In die lig van hoe ingewikkeld die telekommunikasie-omgewing is, wil mense egter hulp hê om hul rekening te verklein, ongeag watter tegnologie hulle gebruik. TeleMasters betaal 'n kwartaallikse dividend van 40% van die wins en reik elke drie maande 'n prestasieverslag uit. Hy het in die jaar tot September goeie resultate behaal.

Engineering News: Alternative communication options more attractive in tough economic times – TeleMasters

The company noted that it had seen an "appreciable increase" in every facet of the business.

Business Report: TeleMasters hires staff to grow

While some companies are laying off staff, AltX-listed TeleMasters has doubled its staff numbers by hiring more sales and business development managers as part of its strategy to "counter the current economic downturn".

IT Web: TeleMasters continues on growth path

Bucking the recent downturn in the global economy, telecommunications specialist TeleMasters has announced another two acquisitions, picking up the least-cost routing (LCR) bases of OneCommunications and Office Digital for an undisclosed sum. Headline earnings per share is projected to increase by 17.35%

IT Web: TeleMasters flying high in tough conditions

TeleMasters was the first JSE company to attempt to pay monthly dividends to shareholders and, although for regulatory reasons this move has effectively translated into the first and only company paying quarterly dividends, the benefits to shareholders continue to impress. Aside from the frequency of dividend payments, at 15%, TeleMasters features one of the highest dividend yields on the JSE, making the company a strong choice for those looking for sustainable, high value investments.

More headlines:

- Financial Mail:** TeleMasters banking on more liquidity
- IT Web:** TeleMasters frequent payer
- Business Day:** Telemasters declares quarterly dividend
- Business Report:** TeleMasters gives stellar performance once again
- IT Web:** TeleMasters snares Vox MD
- FinWeek:** TeleMasters - A Good Citizen
- Finweek:** "Corporate SA wakes up"

See interview videos on <http://www.summit.co.za/video/face2face.html> ; search for 'TeleMasters' or visit our website

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING:

TeleMasters Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 2006/015734/06)
Share code: TLM ISIN: ZAE000093324
("TeleMasters" or "the Company")

Notice is hereby given

That the annual general meeting of members of the Company will be held in the Auditorium, JSE Limited, One Exchange Square, No. 2 Gwen Lane, Sandown, Johannesburg, at 09:30 on 1 April 2009 for the following purposes:

1. To receive, consider, and if deemed fit adopt the annual financial statements of the Company for the year ended 30 September 2008, including the Directors' Report and the Report of the Auditors' thereon.
2. To re-appoint MB Pretorius, ME Moji, IG Bekker, J Voigt, VI Beck and BR Topham as directors.
3. To approve the remuneration of the directors for the year ended 30 September 2008;
4. To authorise the audit committee to fix the remuneration of the auditors for the past and next years.
5. To re-appoint BDO Spencer Steward as auditors until the conclusion of the next annual general meeting and B Bosman as the designated audit partner.
6. To consider, and if deemed fit to pass the following resolutions and Special Resolutions:

Special Resolution No. 1 - General authority to acquire own shares

- ▶ Resolved that the directors of the Company be and are hereby authorised by way of general authority, to repurchase ordinary shares in the issued share capital of the Company from time to time, subject to the Articles of Association of the Company, the provisions of sections 85 to 89 of the Companies Act and in terms of the Listings Requirements of the JSE, when applicable, and:
 - ▶ any such repurchase shall be implemented on the open market of the JSE and effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
 - ▶ the Company is authorised thereto by way of its articles of association;
 - ▶ any such repurchase may not be made at a price higher than 10% above the weighted average market value for the shares for the five business days preceding the date on which the repurchase was agreed;
 - ▶ the general authority is limited to a maximum of 20% of the Company's issued share capital of that class at the time the authority is granted;
 - ▶ a press announcement giving full details of such acquisitions, including the impact on net asset value and earnings per share, will be published as soon as the Company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue at the time of the granting of the general authority;
 - ▶ the general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this Special Resolution No. 1;
 - ▶ the Company will be in a position to repay its debt in the ordinary course of business for the next 12 months;
 - ▶ the ordinary capital and reserves of the Company will be adequate for the next 12 months;
 - ▶ available working capital will be adequate to continue the operations of the Company for the next 12 months;
 - ▶ the Company may not enter the market to proceed with the repurchase until the Company's Designated Advisor, Arcay Moela Sponsors, has confirmed the adequacy of the Company's working capital for the purposes of undertaking a repurchase of shares in writing to the JSE;
 - ▶ the Company may only undertake a repurchase of securities if, after such repurchase, it still complies with paragraphs to 3.4.1 of the JSE Listings Requirements concerning shareholder spread;
 - ▶ the Company may not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;

NOTICE OF THE ANNUAL GENERAL MEETING

- ▶ the Company may only appoint one agent to effect any repurchase(s) on its behalf;
- ▶ a repurchase of securities can only be made if the assets of the Company will be in excess of the liabilities of the Company for a period of 12 months after the date of the notice of the annual general meeting. For this purpose the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements.

Other disclosure in terms of the JSE Listings Requirements Section 11.26

The JSE Listings Requirements require the following disclosure, some of which is elsewhere in the annual report of which this notice forms part:

Directors and management	page 6 - 7
Major shareholders	page 17
Directors interest in securities	page 16
Share capital of the Company	page 37

Litigation statement

The Company is not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened that may have or had in the recent past, being at least the previous 12 months, a material effect on the Company's financial position.

Directors' responsibility statement

The directors, whose names are given on pages 6 to 9 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by law and the JSE Listings Requirements.

Material change

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of TeleMasters since the auditors signed off on the financials.

The directors of the Company have no specific intention to effect the provisions of Special Resolution number 1 but will, however, continually review this position having regard to prevailing circumstances.

Reason for and effect of Special Resolution

The reason and effect for special resolution 1 is to authorise the Company by way of a general authority to acquire its own issued shares on such terms, conditions and such amounts determined from time to time by the directors of the Company by the limitations set out above.

NOTICE OF THE ANNUAL GENERAL MEETING

Special Resolution No. 2 - Distributions by way of a reduction in share premium

"Resolved that the directors of the Company be hereby authorised, by way of general authority, to distribute, on a pro rata basis, to all shareholders of the Company any share capital (including share premium) and reserves of the Company in terms of section 90 of the Companies Act, No. 61 of 1973, as amended ("the Act"), the Company's articles of association and the Listings Requirements of the JSE Limited ("the JSE Listings Requirements"), provided that:

- ▶ the distribution is made pro rata to all shareholders;
- ▶ the general authority shall be valid until the next annual general meeting of the Company or for 15 months from the passing of this ordinary resolution (whichever period is shorter); and
- ▶ any general distribution of share premium by the Company shall not exceed 20% (twenty per cent) of the current issued share capital and reserves, excluding minority interests.

Reason and effect of Special Resolution No. 2

The reason for this resolution is to grant the Board of the Company a general authority for the distribution of share capital by the Company to its shareholders. Such general authority will, subject to the requirements of the Act and the JSE Listings Requirements, provide the Board with flexibility to distribute any surplus capital of the Company to its shareholders.

Statement by the Board:

It is the Board's intention to utilise the general authority to make payments to ordinary shareholders in the future out of the Company's share capital and reserves should the Company's capital exceed its requirements.

The directors of the Company are of the opinion that, were the Company to enter into a transaction to distribute the share capital and/or reserves totalling 20% (twenty percent) of the current issued share capital and reserves of TeleMasters:

- ▶ the Company will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of the notice of the annual general meeting;
- ▶ the assets of the Company, fairly valued, will be in excess of the liabilities of the Company for a period of 12 months after the date of the notice of the annual general meeting;
- ▶ the issued share capital and reserves of the Company will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and
- ▶ the working capital available to the Company will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting.

The information disclosed under Special Resolution No. 1 applies mutatis mutandis to this Special Resolution No. 2.

8. Ordinary Resolution No. 1 - Unissued shares to be placed under the control of the directors

"That the authorised but unissued ordinary shares in the capital of the Company be and are hereby placed under the control and authority of the directors of the Company and that the directors be and are hereby authorised and empowered to allot and issue all or any such ordinary shares, to such person(s) on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the provisions of the Companies Act, 1973 (Act 61 of 1973), as amended, the Articles of Association of the Company and the Listings Requirements of the JSE."

NOTICE OF THE ANNUAL GENERAL MEETING

9. Ordinary Resolution No. 2 - General authority to issue shares for cash

- ▶ That the directors of the Company from time to time be and are hereby authorised, by way of a general authority, to:
- ▶ allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of the Company; and/or
- ▶ sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the Company

for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit subject to the Companies Act (Act 61 of 1973), as amended, the Articles of Association of the Company and the Listings Requirements of the JSE from time to time, which currently provide, inter alia, the following limitations:

- ▶ the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- ▶ any such issue may only be made to public shareholders as defined in the JSE Listings Requirements and not to related parties;
- ▶ added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued or to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced;
- ▶ this general authority will be valid until the earlier of the Company's next annual general meeting or expiry of a period of 15 (fifteen) months from the date that this authority is given;
- ▶ in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed to by the directors of the Company; and
- ▶ whenever the Company wishes to use ordinary shares, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares.

Securities which are the subject of general issues for cash:

- ▶ in the aggregate in any one financial year may not exceed 50% of the Company's relevant number of equity securities in issue of that class;
- ▶ of a particular class, will be aggregated with any securities that are compulsory convertible into securities of that class, and in the case of the issue of compulsory convertible securities, aggregated with the securities of that class into which they are compulsory convertible;
- ▶ as regards the number of securities which may be issued (the 15% number), shall be based on the number of securities of that class in issue added to those that may be issued in future (arising from the conversion of options/convertible securities), at the date of such application;
- ▶ less any securities of the class issued, or to be issued in future arising from options/convertible securities issued, during the current financial year;

plus any securities of that class to be issued pursuant to:

- ▶ a rights issue which has been announced, is irrevocable and is fully underwritten; or
- ▶ acquisition (which has had final terms announced) may be included as though they were securities in issue at the date of application.

NOTICE OF THE ANNUAL GENERAL MEETING

After the Company has issued equity securities in terms on an approved general issue for cash representing, on a cumulative basis within a financial year, 5% or more of the number of equity securities in issue prior to that issue, the Company shall publish an announcement containing full details of the issue, including:

- ▶ the number of securities issued;
- ▶ the average discount to the weighted average traded price of the equity securities over the 30 days prior to the date that the price of the issue was determined or agreed by the directors of the Company; and
- ▶ the effects of the issue on net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share, and, if applicable, diluted earnings and headline earnings per share.

In respect of options and convertible securities granted/issued for cash:

- ▶ Where options or convertible securities, excluding executive and staff share schemes, are granted/issued for cash, such options/convertible securities issued otherwise than to existing holders of equity securities in proportion to their existing holdings, will be permitted in respect of a specific issue of such options/convertible securities provided specific approval is obtained for such grant/issue in terms of the JSE Listings Requirements; and
- ▶ If the discount to the market price at the time of exercise of the option or conversion of the convertible security is not known at the time of grant/issue of the option or convertible security, or if it is known that the discount will exceed 10% of the 30 day weighted average traded price of the security at the date of exercise, then the grant/issue will be subject to the issuer providing its holders of securities with a fair and reasonable statement complying with Schedule 5 of the JSE Listings Requirements.

The reason for Ordinary Resolution No.2 is to enable the Company to raise funds for various projects during the year as and when required and as allowed by the JSE Listings Requirements.

In terms of the JSE Listings Requirements, Ordinary Resolution No. 2 must be passed by a 75% majority of the votes cast in favour of the resolution by all members present or represented by proxy at the annual general meeting.

10. Ordinary Resolution No. 3 - Authority to execute requisite documentation

That any director of the Company or the Company secretary be and hereby is authorised to do all such things and sign all such documents issued by the Company and required to give effect to the special resolutions and ordinary resolution passed at the AGM.

11. Ordinary Resolution No. 4 - To approve the dividends declared and paid

That the interim dividends 1 to 5 totalling 28 cents per share paid and declared by the directors since the last AGM be hereby approved as final.

12. Ordinary Resolution No. 5 - To approve the remuneration payable to the non-executive directors.

That the non-executive directors' remuneration for the year commencing 1 October 2008 be fixed at R120 000 per annum.

13. To transact such other business that may be transacted at an annual general meeting.

NOTICE OF THE ANNUAL GENERAL MEETING

Action required

Voting and proxies

A member entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend and vote in his/her stead, subject to the general instructions attached to this notice. Any proxy so appointed need not be a member of the Company. Proxy forms must be received at the registered office of the Company not less than 48 hours before the date of the meeting.

For the convenience of registered members of the Company, a form of proxy is enclosed herewith.

The attached form of proxy is only to be completed by those ordinary shareholders who:

- ▶ Hold ordinary shares in certificate form; or
- ▶ Are recorded on the sub-register in "own name" dematerialised form.

Ordinary shareholders who have dematerialised their ordinary shares through a CSDP or broker without "own name" registration and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with the relevant Letter of Representation to attend the meeting in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Proxy forms must be received at the office of the Company at least 48 hours, excluding Saturdays, Sundays and public holidays, before the time of the annual general meeting.

By order of the Board

Brandon Topham Inc.

Secretary

Equity Estate, Building 2, MastersHouse, Charles De Gaulle Crescent, Centurion, 0159

General Instructions

All shareholders are encouraged to attend the annual general meeting of the Company.

1. All registered shareholders of ordinary shares ("shares") in the Company are entitled to attend, speak and vote at the annual general meeting.
2. Please note that the Company has moved to the JSE Limited's electronic settlement systems Shares Totally Electronic ("Strate"). If you are a dematerialised shareholder (i.e. you have replaced your paper share certificates with electronic records of ownership under Strate) and are not an own name dematerialised shareholder, then:

If you wish to attend the annual general meeting you should contact your Central Security Depository Participant ("CSDP") or broker, as the case may be, and obtain the relevant letter of representation from them. The letter of representation must be obtained within the time period required by your CSDP or broker, as the case may be, and allow them sufficient time to provide such letter to the Company secretary prior to the annual general meeting;

or, alternatively, If you are unable to attend the annual general meeting, you must contact the CSDP or broker, as the case may be, and furnish them with your voting instructions in respect of the annual general meeting in accordance with the mandate between yourself and the CSDP or broker, as the case may be. You should not complete the attached form of proxy. If your CSDP or broker does not obtain voting instructions from you in respect of the annual general meeting, it will be obliged to act in terms of your mandate. The instructions must be provided within the time period required by your CSDP or broker as the case may be.

If you hold certificated shares (i.e. you have not dematerialised your shares in the Company) or are an own name dematerialised shareholders, then: You may attend and vote at the annual general meeting;

or, alternatively you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company by no later than 48 hours prior to the commencement of the meeting.



FORM OF PROXY:

TeleMasters Holdings Limited ▶ (Incorporated in the Republic of South Africa) Registration number 2006/015734/06 ▶ Share code: TLM ISIN ZAE000093324 (:TeleMasters" or "the Company")

For the sole use by the following holders of ordinary shares in the Company at the annual general meeting of the Company, to be held in the Auditorium, JSE Limited, One Exchange Square, No. 2 Gwen Lane, Sandown, Johannesburg, at 09:30 on 1 April 2009 and at any adjournment thereof.

Certificated shareholders; and CSDP nominee companies, brokers' nominee companies and dematerialised shareholders who have elected "own name" registrations.

Forms of proxy must be completed and delivered to the transfer secretaries, Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2170) to be received by not later than 09:30 on 30 March 2009.

I/We (BLOCK LETTERS please)

of (address)

Telephone work Telephone home

Being the holder/custodian of ordinary shares in the company, hereby appoint

1. or failing him,

2. or failing him,

3. the chairman of the meeting

as my/our proxy to attend and speak out and, on a poll, vote for me/us on my/our behalf at the annual general meeting of the company to be held for the purpose of considering and, if deemed fit, passing the resolutions to be proposed thereat and at each adjournment thereof, and to vote for and/or abstain from voting in respect of the ordinary shares in the issued share capital of the company registered in my/our name/s in accordance with the following instructions:

	FOR	AGAINST	ABSTAIN
1. Adoption of the annual financial statements			
2a To re-elect MB Pretorius as a director			
2b To re-elect ME Moji as a director			
2c To re-elect IG Bekker as a director			
2d To re-elect BR Topham as a director			
2e To re-elect J Voigt as a director			
2f To re-elect VI Beck as a director			
3. To approve the remuneration payable to directors			
4. To authorise the audit committee to fix the remuneration of the auditors			
5. To approve the re-appointment of the auditors			
6. Special resolution 1			
7. Special resolution 2			
8. Ordinary resolution 1			
9. Ordinary resolution 2			
10. Ordinary resolution 3			
11. Ordinary resolution 4			
12. Ordinary resolution 5			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable. A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, speak and, on a poll, vote in his stead. A proxy so appointed need not be a member of the company.

Signed at _____ on _____ 2009

Signature _____

Assisted by (if applicable) _____

Please read the notes on the reverse side of this form of proxy.



NOTES

A shareholder may insert the name of the proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the meeting". The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that member in the appropriate space provided. Failure to comply with the above will be deemed to authorise the proxy or the chairman of the annual general meeting, if the chairman of the annual general meeting is the authorised proxy, to vote or to abstain from voting at the annual general meeting as the chairman of the annual general meeting deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable, the chairman will reduce the numbers entered in each of the three columns pro rata in order to reduce the total to the number exercisable as reflected in the Company's share register as at the closing time for the acceptance of the proxies.

Forms of proxy must be lodged at, or posted to the Company's transfer secretaries, Computershare Investor Services 2004 (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) Call Centre Number: 0861 100 634 to reach them by no later than 09 :30 on 30 March 2009.

The completion and lodging of this form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries of the Company or waived by the chairman of the annual general meeting.

Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

A minor must be assisted by his/her parents or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company.

The chairman of the annual general meeting may reject or accept a form of proxy which is completed and/or received, other than in accordance with these notes, if the chairman of the annual general meeting is satisfied as to the manner in which a shareholder wishes to vote.

Certificated own name registered dematerialised shareholders

If you are unable to attend the annual general meeting of TeleMasters Limited to be held in the Auditorium, JSE Limited, One Exchange Square, No. 2 Gwen Lane, Sandown, Johannesburg, at 09:30 on 1 April 2009 and wish to be represented thereat, you must complete and return this form of proxy in accordance with the instructions contained herein and lodge it with, or post it to, the transfer secretaries, namely Computershare Investor Services 2004 (Pty) Ltd, detailed in Note 3 above, received by them by no later than 09:30 on 30 March 2009.

Dematerialised shareholders

If you hold dematerialised shares in TeleMasters through a CSDP or broker and do not have an "own-name" registered dematerialised registration, you must timeously advise your CSDP or broker of your intention to attend and vote at the annual general meeting or be represented by proxy thereat in order for your CSDP or broker to provide you with the necessary authorization to do so, or should you not wish to attend the annual general meeting in person, you must timeously provide your CSDP or broker with your voting instructions in order for the CSDP or broker to vote in accordance with your instructions at the annual general meeting.



**TELE
Masters**

Reg 2006/015734/06 • VAT 4550231056

P O Box 68255 Highveld Park 0169

Tel: 086-111-2001 • Fax: 086-111-2002

Contact: salesinfo@masters.co.za

www.telemasters.co.za

TeleMasters partners with:



Designated Advisors



BDO Spencer Steward
Chartered Accountants

Auditors



Corporate Attorneys



JSE: TLM Telemast